

# **PALO VERDE COMMUNITY COLLEGE DISTRICT**

Audit Report

## **ENROLLMENT FEE COLLECTION AND WAIVERS PROGRAM**

Education Code Section 76300 and California Code of Regulations,  
Title 5, sections 58501-58503, 58611-58613, 58620, and 58630

*July 1, 1998, through June 30, 2006*



**JOHN CHIANG**  
California State Controller

December 2010



**JOHN CHIANG**  
**California State Controller**

December 2, 2010

Ed Gonzales, President  
Palo Verde College Board of Trustees  
Palo Verde Community College District  
One College Drive  
Blythe, CA 92225

Dear Mr. Gonzales:

The State Controller's Office audited the costs claimed by Palo Verde Community College District for the legislatively mandated Enrollment Fee Collection and Waivers Program (Education Code section 76300 and California Code of Regulations, Title 5, sections 58501-58503, 58611-58613, 58620, and 58630) for the period of July 1, 1998, through June 30, 2006.

The district claimed \$5,772,248 for the mandated program. Our audit disclosed that \$778,503 is allowable and \$4,993,745 is unallowable. The costs are unallowable primarily because the district provided documents that supported lower actual costs than the amount claimed. The State made no payment to the district. The State will pay allowable costs claimed that exceed the amount paid, totaling \$778,503, contingent upon available appropriations.

If you disagree with the audit findings, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (CSM). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at the CSM's Web site at [www.csm.ca.gov/docs/IRCForm.pdf](http://www.csm.ca.gov/docs/IRCForm.pdf).

If you have any questions, please contact Jim L. Spano, Chief, Mandated Cost Audits Bureau, at (916) 323-5849.

Sincerely,

*Original signed by*

**JEFFREY V. BROWNFIELD**  
Chief, Division of Audits

JVB/vb

cc: James W. Hottois, Superintendent/President  
Palo Verde Community College District  
Geri Butler, Vice President  
Administrative Services  
Palo Verde Community College District  
Russi Egan, Fiscal Service Manager  
Palo Verde Community College District  
Christine Atalig, Auditor  
Fiscal Services Unit  
California Community Colleges Chancellor's Office  
Thomas Todd, Principal Program Budget Analyst  
Education Systems Unit  
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Division of Accounting and Reporting  
State Controller's Office

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# Audit Report

## Summary

The State Controller's Office (SCO) audited the costs claimed by the Palo Verde Community College District for the legislatively mandated Enrollment Fee Collection and Waivers Program (Education Code section 76300 and California Code of Regulations, Title 5, sections 58501-58503, 58611-58613, 58620, and 58630) for the period of July 1, 1998, through June 30, 2006.

The district claimed \$5,772,248 for the mandated program. Our audit disclosed that \$778,503 is allowable and \$4,993,745 is unallowable. The costs are unallowable primarily because the district provided documents that supported lower actual costs than the amount claimed. The State made no payment to the district. The State will pay allowable costs claimed that exceed the amount paid, totaling \$778,503, contingent upon available appropriations.

## Background

Education Code section 76300 and California Code of Regulations, Title 5, sections 58501-58503; 58611-58613; 58620; and 58630 require community college districts to perform specific activities related to collecting enrollment fees; and granting fee waivers, Board of Governor's (BOG) Grants and financial assistance to students.

The sections were added and/or amended by:

- Chapter 1, Statutes of 1984xx
- Chapters 274 and 1401, Statutes of 1984
- Chapters 920 and 1454, Statutes of 1985
- Chapters 46 and 395, Statutes of 1986
- Chapter 1118, Statutes of 1987
- Chapter 136, Statutes of 1989
- Chapter 114, Statutes of 1991
- Chapter 703, Statutes of 1992
- Chapters 8, 66, 67, and 1124, Statutes of 1993
- Chapters 153 and 422, Statutes of 1994
- Chapter 308, Statutes of 1995
- Chapter 63, Statutes of 1996
- Chapter 72, Statutes of 1999

On April 24, 2003, the Commission on State Mandates (CSM) adopted the statement of decision for the Enrollment Fee Collection and Waivers Program. The CSM found that the test claim legislation constitutes a new program or higher level of service and imposes a reimbursable state-mandated program on community college districts within the meaning of Article XIII B, section 6 of the California Constitution and Government Code section 17514.

The CSM found that the following activities are reimbursable:

- Calculating and collecting the student enrollment fee for each student enrolled except for nonresidents, and except for special part-time students cited in section 76300, subdivision (f).
- Waiving student fees in accordance with the groups listed in Education Code section 76300, subdivisions (g) and (h).
- Waiving fees for students who apply for and are eligible for BOG fee waivers.
- Reporting to the Community Colleges Chancellor the number of, and amounts provided, for BOG waivers.
- Adopting procedures that will document all financial assistance provided on behalf of students pursuant to Chapter 9 of Title 5 of the California Code of Regulations; and including in the procedures the rules for retention of support documentation which will enable an independent determination regarding accuracy of the district's certification of need for financial assistance.

The program's parameters and guidelines establish the state mandate and define reimbursement criteria. The CSM adopted the parameters and guidelines on January 26, 2006. In compliance with Government Code section 17558, the State Controller's Office (SCO) issues claiming instructions to assist local agencies and school districts in claiming mandated program reimbursable costs.

## **Objective, Scope, and Methodology**

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Enrollment Fee Collection and Waivers Program for the period of July 1, 1998, through June 30, 2006.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

We conducted this performance audit under the authority of Government Code sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We limited our review of the district's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

**Conclusion**

Our audit disclosed instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Schedule 1) and in the Findings and Recommendations section of this report.

For the audit period, Palo Verde Community College District claimed \$5,772,248 for costs of the Enrollment Fee Collection and Waiver Program. Our audit disclosed that \$778,503 is allowable and \$4,993,745 is unallowable.

The State made no payment to the district. The State will pay allowable costs claimed that exceed the amount paid, contingent upon available appropriations.

**Views of  
Responsible  
Official**

We issued a revised draft report on November 3, 2010. We contacted Russi Egan, Fiscal Services Manager, by telephone on November 29, 2010. Ms. Egan declined to respond to the revised draft report.

**Restricted Use**

This report is solely for the information and use of Palo Verde Community College District, the California Community Colleges Chancellor's Office, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

*Original signed by*

JEFFREY V. BROWNFIELD  
Chief, Division of Audits

December 2, 2010

# Schedule 1— Summary of Program Costs July 1, 1998, through June 30, 2006

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 1998, through June 30, 1999</u>				
Direct costs:				
Salaries and benefits	\$ 268,892	\$ 36,299	\$ (232,593)	Finding 1, 2
Materials and supplies	885	885	—	
Fixed assets	200	—	(200)	Finding 3
Total direct costs	269,977	37,184	(232,793)	
Indirect costs	111,231	7,388	(103,843)	Finding 1, 4
Total direct and indirect costs	381,208	44,572	(336,636)	
Less offsetting savings/reimbursements	(7,624)	(2,716)	4,908	Finding 1, 5
Total program costs	<u>\$ 373,584</u>	41,856	<u>\$ (331,728)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 41,856</u>		
<u>July 1, 1999, through June 30, 2000</u>				
Direct costs:				
Salaries and benefits	\$ 375,946	\$ 53,826	\$ (322,120)	Finding 1, 2
Materials and supplies	1,846	1,846	—	
Fixed assets	14,176	—	(14,176)	Finding 3
Total direct costs	391,968	55,672	(336,296)	
Indirect costs	161,651	9,487	(152,164)	Finding 1, 4
Total direct and indirect costs	553,619	65,159	(488,460)	
Less offsetting savings/reimbursements	(17,216)	(18,231)	(1,015)	Finding 1, 5
Add mathematical error <sup>2</sup>	389	—	(389)	
Total program costs	<u>\$ 536,792</u>	46,928	<u>\$ (489,864)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 46,928</u>		
<u>July 1, 2000, through June 30, 2001</u>				
Direct costs:				
Salaries and benefits	\$ 380,526	\$ 81,021	\$ (299,505)	Finding 1, 2
Materials and supplies	1,136	1,136	—	
Fixed assets	8,299	—	(8,299)	Finding 3
Travel and training	401	401	—	
Total direct costs	390,362	82,558	(307,804)	
Indirect costs	167,974	14,283	(153,691)	Finding 1, 4
Total direct and indirect costs	558,336	96,841	(461,495)	
Less offsetting savings/reimbursements	(17,816)	(18,751)	(935)	Finding 1, 5
Total program costs	<u>\$ 540,520</u>	78,090	<u>\$ (462,430)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 78,090</u>		



**Schedule 1 (continued)**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2001, through June 30, 2002</u>				
Direct costs:				
Salaries and benefits	\$ 499,020	\$ 89,164	\$ (409,856)	Finding 1, 2
Materials and supplies	1,233	1,233	—	
Fixed assets	14,499	—	(14,499)	Finding 3
Travel and training	413	413	—	
Total direct costs	515,165	90,810	(424,355)	
Indirect costs	201,790	16,037	(185,753)	Finding 1, 4
Total direct and indirect costs	716,955	106,847	(610,108)	
Less offsetting savings/reimbursements	(25,230)	(17,205)	8,025	Finding 1, 5
Total program costs	<u>\$ 691,725</u>	<u>89,642</u>	<u>\$ (602,083)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 89,642</u>		
<u>July 1, 2002, through June 30, 2003</u>				
Direct costs:				
Salaries and benefits	\$ 554,876	\$ 99,558	\$ (455,318)	Finding 1, 2
Materials and supplies	1,236	1,236	—	
Fixed assets	5,250	—	(5,250)	Finding 3
Travel and training	425	425	—	
Total direct costs	561,787	101,219	(460,568)	
Indirect costs	357,858	29,202	(328,656)	Finding 1, 4
Total direct and indirect costs	919,645	130,421	(789,224)	
Less offsetting savings/reimbursements	(33,496)	(21,656)	11,840	Finding 1, 5
Total program costs	<u>\$ 886,149</u>	<u>108,765</u>	<u>\$ (777,384)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 108,765</u>		
<u>July 1, 2003, through June 30, 2004</u>				
Direct costs:				
Salaries and benefits	\$ 571,524	\$ 92,008	\$ (479,516)	Finding 1, 2
Materials and supplies	1,273	914	(359)	Finding 1
Fixed assets	17,539	—	(17,539)	Finding 3
Travel and training	438	438	—	
Total direct costs	590,774	93,360	(497,414)	
Indirect costs	316,478	17,850	(298,628)	Finding 1, 4
Total direct and indirect costs	907,252	111,210	(796,042)	
Less offsetting savings/reimbursements	(43,930)	(22,488)	21,442	Finding 1, 5
Total program costs	<u>\$ 863,322</u>	<u>88,722</u>	<u>\$ (774,600)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 88,722</u>		

**Schedule 1 (continued)**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2004, through June 30, 2005</u>				
Direct costs:				
Salaries and benefits	\$ 664,669	\$ 103,024	\$ (561,645)	Finding 1, 2
Materials and supplies	1,362	1,362	—	
Fixed assets	8,708	—	(8,708)	Finding 3
Travel and training	451	451	—	
Total direct costs	675,190	104,837	(570,353)	
Indirect costs	309,305	64,779	(244,526)	Finding 1, 4
Total direct and indirect costs	984,495	169,616	(814,879)	
Less offsetting savings/reimbursements	(36,537)	(32,262)	4,275	Finding 1, 5
Total program costs	<u>\$ 947,958</u>	137,354	<u>\$ (810,604)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 137,354</u>		
<u>July 1, 2005, through June 30, 2006</u>				
Direct costs:				
Salaries and benefits	\$ 685,789	\$ 118,568	\$ (567,221)	Finding 1, 2
Materials and supplies	1,282	1,282	—	
Fixed assets	8,651	—	(8,651)	Finding 3
Travel and training	467	467	—	
Total direct costs	696,189	120,317	(575,872)	
Indirect costs	276,407	95,893	(180,514)	Finding 1, 4
Total direct and indirect costs	972,596	216,210	(756,386)	
Less offsetting savings/reimbursements	(39,398)	(29,064)	10,334	Finding 1, 5
Less cost not claimed <sup>3</sup>	(1,000)	—	1,000	
Total program costs	<u>\$ 932,198</u>	187,146	<u>\$ (745,052)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 187,146</u>		

## Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>Summary: July 1, 1998, through June 30, 2006</u>				
Direct costs:				
Salaries and benefits	\$ 4,001,242	\$ 673,468	\$ (3,327,774)	
Materials and supplies	10,253	9,894	(359)	
Fixed assets	77,322	—	(77,322)	
Travel and training	2,595	2,595	—	
Total direct costs	4,091,412	685,957	(3,405,455)	
Indirect costs	1,902,694	254,919	(1,647,775)	
Total direct and indirect costs	5,994,106	940,876	(5,053,230)	
Less offsetting savings/reimbursements	(221,247)	(162,373)	58,874	
Add mathematical error <sup>2</sup>	389	—	(389)	
Less costs not claimed <sup>3</sup>	(1,000)	—	1,000	
Total program costs	<u>\$ 5,772,248</u>	778,503	<u>\$ (4,993,745)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 778,503</u>		

<sup>1</sup> See the Findings and Recommendations section.

<sup>2</sup> District's FAM-27 Certification of Claim form reported \$536,792 for FY 1999-2000. However, the amount supported by the accompanying schedule totals \$536,403. The difference of \$389 occurred because of a calculation error on Line 4.B.1.b. of Form EFCW-1.

<sup>3</sup> Costs not claimed represent the amount reported in the filed claim detail schedules that was not certified by the claimant in the FAM-27 Certification of Claim form.

# Findings and Recommendations

## **FINDING 1— District's revision to claimed costs**

With input from its mandate consultant, the district provided us, during audit fieldwork with revised amounts that reduced reimbursable claimed costs by \$3,644,423. The revised amounts were provided after the filing deadline to amend the mandate claims pursuant to Government Code section 17568 and the claiming instructions.

The following table summarizes the difference between the revised reimbursable costs per the district and the amount the district filed within the filing deadline:

Fiscal Year	Revised Amount Per District	Claimed Costs	Audit Adjustment
1998-99	\$ 529,898	\$ 373,584	\$ 156,314
1999-2000	338,274	536,792	(198,518)
2000-01	188,358	540,520	(352,162)
2001-02	174,011	691,725	(517,714)
2002-03	242,332	886,149	(643,817)
2003-04	216,455	863,322	(646,867)
2004-05	207,660	947,958	(740,298)
2005-06	230,837	932,198	(701,361)
Total	<u>\$ 2,127,825</u>	<u>\$ 5,772,248</u>	<u>\$ (3,644,423)</u>

The following table details the adjustments by reimbursable activities:

Fiscal Year	Salaries and Benefits	Materials and Supplies	Indirect Costs	Offsetting Savings/ Reim- bursements	Miscell- aneous	Total
1998-99	\$ 110,574	\$ —	\$ 45,556	\$ 184	\$ —	\$ 156,314
1999-2000	(147,128)	—	(60,777)	9,776	(389)	(198,518)
2000-01	(252,911)	—	(108,829)	9,578	—	(352,162)
2001-02	(381,252)	—	(149,336)	12,874	—	(517,714)
2002-03	(403,580)	—	(257,080)	16,843	—	(643,817)
2003-04	(429,766)	(359)	(230,418)	13,676	—	(646,867)
2004-05	(514,884)	—	(235,869)	10,455	—	(740,298)
2005-06	(510,477)	—	(202,568)	10,684	1,000	(701,361)
Audit Ad- justment	<u>\$ (2,529,424)</u>	<u>\$ (359)</u>	<u>\$ (1,199,321)</u>	<u>\$ 84,070</u>	<u>\$ 611</u>	<u>\$ (3,644,423)</u>

Government Code section 17568 does not allow payment of a reimbursement claim that is submitted more than one year after the deadline specified in section 17560.

### Recommendation

We recommend that the district submit revised claims to the SCO prior to the expiration of the final filing period.

### District's Response

The district did not respond to the finding.

**FINDING 2—  
Misstated salaries and  
benefits**

As noted in Finding 1, the district provided us with revised salary and benefit amounts during the audit fieldwork. We reviewed the revised amounts and determined that the district overstated salaries and benefits by \$798,350. The costs are unallowable because the district did not provide documentation supporting some of its revised amounts and made errors when applying time allowances.

**Unsupported Costs**

The district did not provide any documentation supporting hours claimed for one-time activities. The unsupported costs total \$386,823—\$269,654 related to enrollment fee collection and \$117,169 related to enrollment fee waivers.

Of the \$269,654 in unsupported costs for one-time fee collections activities, \$261,992 was identified as start-up costs related to calculating and collecting enrollment fees and \$5,900 was identified as set-up costs related to preparation of district policies on its 1998-99 claim. FY 1998-99 was the first year that enrollment fee collection costs could be claimed under this program. Of the \$117,169 in unsupported costs for one-time fee waiver activities, \$100,382 was identified as start-up costs for staff training, adopting procedures, waiving students, and reporting BOG waivers on the district's FY 1999-2000 claim. FY 1999-2000 was the first year that enrollment fee waivers costs could be claimed under this program. The district did not provide any documentation supporting the validity of the unsupported costs.

**Errors in Application of Time Allowances**

The district claimed salaries and benefits for 12 components using time allowances developed from a time study it conducted to complete various activities. We reviewed the time study results and concluded that the results were supported for the average time employees took to complete a reimbursable activity, with the exception of time claimed for one employee that was excessive and unreasonable. For instance, the time study results for one employee indicated that it took that person two hours to update the student records for the enrollment payment. The district could not explain the reason for such time. In applying the time allowances, the district did not report the correct number of students related to the various cost components. In addition, in one instance, the district used the wrong multiplier in applying the time standards. We recalculated reimbursable activities and determined that the district overstated salaries and benefits by \$411,527—overstated enrollment fee collection costs totaling \$455,601 and understated enrollment fee waivers costs totaling \$44,074.

***Enrollment Fee Collection Costs***

For enrollment fee collection costs, the district claimed costs related to (1) referencing student accounts; (2) calculating the fees; (3) answering student questions; (4) updating records; (5) collecting delinquent fees; and (6) processing fee refunds. The district claimed costs for components 1, 3, and 4 using total student enrollment as the multiplier and, for

component 2, using total number of students paying the fees as the multiplier. For component 5, the district used total student accounts receivables, and for component 6 used total student refund.

- For components 1 through 4, the district claimed costs for reimbursable student enrollment numbers that did not agree with the enrollment numbers documented by the California Community Colleges Chancellor's Office (CCCCO). Reimbursable student enrollment excludes non-resident and special part-time students (students who attend a community college while in high school pursuant to Education Code section 76001). We obtained student enrollment, non-resident student, and special part-time student numbers from the CCCCCO. The CCCCCO's management information system (MIS) identifies enrollment information based on student data that the district reported. CCCCCO identifies the district's enrollment based on CCCCCO's MIS data element STD 7, codes A through G. CCCCCO eliminates any duplicate students based on their social security numbers.
- For component 2, the district calculated total number of students paying the fee by excluding Board of Governors (BOG) Grant recipients from claimed student enrollments. The total number of BOG Grant recipients did not agree with the numbers documented by the CCCCCO based on data the district reported. The CCCCCO identified the number of BOG Grant recipients based on MIS data element SF21, all codes with the first letter of B or F.
- For component 4, we recalculated reimbursable costs using students paying the fee as the reimbursable activity relates to updating records for the fee payment.
- For component 5, the district used the wrong number of students' accounts receivables.
- For component 6, the district used the wrong number of students who received a refund.

We recalculated reimbursable enrollment fee collection costs and determined that the district overstated allowable costs by \$455,601.

#### *Fee Waivers*

For enrollment fee waivers costs, the district claimed costs related to (7) inputting approved applications, (8) receiving waiver applications, (9) answering student questions, (10) evaluating waiver applications, (11) providing notice that additional documents are needed, and (12) reviewing denied application.

For components 8 through 11, the district used the number of waiver requests. For component 7, the district used the number of fees waived. For component 12, the district used the number of appeals denied. The claimed fees waived did not agree with the district's records. We recalculated allowable fee waiver costs and determined that the district understated costs by \$44,074. For fee waivers, we used the number of

BOG Grant recipients documented by the CCCCCO based on data the district reported. For denied applications, we used the numbers the district provided.

The following table summarizes the unallowable salaries and benefits based on the district's revised amounts it provided during the audit fieldwork:

<u>Fiscal Year</u>	<u>Allowable Salaries and Benefits</u>	<u>Revised Salaries and Benefits per the District</u>	<u>Audit Adjustment</u>
1998-99	\$ 36,299	\$ 379,466	\$ (343,167)
1999-2000	53,826	228,818	(174,992)
2000-01	81,021	127,615	(46,594)
2001-02	89,164	117,768	(28,604)
2002-03	99,558	151,296	(51,738)
2003-04	92,008	141,758	(49,750)
2004-05	103,024	149,785	(46,761)
2005-06	118,568	175,312	(56,744)
Total	<u>\$ 673,468</u>	<u>\$ 1,471,818</u>	<u>\$ (798,350)</u>

The following table details the unallowable salaries and benefits by enrollment fee unsupported costs and errors in application of time study, and also by enrollment fee collection and enrollment fee waivers:

<u>Fiscal Year</u>	<u>Unsupported Costs</u>			<u>Errors in Application of Time Study</u>			<u>Audit Adjustment</u>
	<u>Enrollment Fee Collection</u>	<u>Enrollment Fee Waivers</u>	<u>Subtotal</u>	<u>Enrollment Fee Collection</u>	<u>Enrollment Fee Waivers</u>	<u>Subtotal</u>	
1998-99	\$ (268,970)	\$ 0	\$ (268,970)	\$ (74,197)	\$ 0	\$ (74,197)	\$ (343,167)
1999-2000	(79)	(107,348)	(107,427)	(67,110)	(455)	(67,565)	(174,992)
2000-01	(82)	(1,387)	(1,469)	(45,169)	44	(45,125)	(46,594)
2001-02	(85)	(1,441)	(1,526)	(27,113)	35	(27,078)	(28,604)
2002-03	(99)	(1,606)	(1,705)	(57,934)	7,901	(50,033)	(51,738)
2003-04	(104)	(1,688)	(1,792)	(57,046)	9,088	(47,958)	(49,750)
2004-05	(113)	(1,791)	(1,904)	(57,297)	12,440	(44,857)	(46,761)
2005-06	(122)	(1,908)	(2,030)	(69,735)	15,021	(54,714)	(56,744)
Total	<u>\$ (269,654)</u>	<u>\$ (117,169)</u>	<u>\$ (386,823)</u>	<u>\$ (455,601)</u>	<u>\$ 44,074</u>	<u>\$ (411,527)</u>	<u>\$ (798,350)</u>

Education Code section 76300 authorizes community college districts to calculate and collect student enrollment fees and to waive student fees in certain instances. The code directs districts to report the number of, and amounts provided for, BOG Grants and to adopt procedures that will document all financial assistance provided on behalf of students.

The parameters and guidelines state that actual costs must be traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. The parameters and guidelines also state that salaries and benefits are reimbursable if claimants report each employee implementing the reimbursable activities by name, job classification, productive hourly rate, and provide a description of the specific reimbursable activities performed and the hours devoted to these activities.

Recommendation

We recommend that the district maintain records that document actual time spent on mandate-related activities. In addition, we recommend that the district maintain documentation that identifies the number of students excluded as required by Education Code section 76300.

District's Response

The district did not respond to the finding.

**FINDING 3—  
Unsupported fixed  
assets**

As noted in Finding 1, the district provided us with revised fixed asset amounts during audit fieldwork. The district did not provide any documentation supporting its revised amounts. The district claimed \$77,322 in unallowable fixed assets for the audit period.

The following table summarizes the unallowable fixed assets based on the district's revised amounts it provided during audit fieldwork:

<u>Fiscal Year</u>	<u>Allowable Fixed Assets</u>	<u>Revised Fixed Assets Per the District</u>	<u>Audit Adjustment</u>
1998-99	\$ —	\$ 200	\$ (200)
1999-2000	—	14,176	(14,176)
2000-01	—	8,299	(8,299)
2001-02	—	14,499	(14,499)
2002-03	—	5,250	(5,250)
2003-04	—	17,539	(17,539)
2004-05	—	8,708	(8,708)
2005-06	—	8,651	(8,651)
Total	<u>\$ —</u>	<u>\$ 77,322</u>	<u>\$ (77,322)</u>

The parameters and guidelines state that districts must report the purchase price paid for fixed assets and equipment necessary to implement the reimbursable activities. They also state that only actual costs may be claimed. In addition, the parameters and guidelines state that actual costs must be traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities.

Recommendation

We recommend that the district ensure that costs claimed are supported by appropriate documentation.

District's Response

The district did not respond to the finding.



**FINDING 4—  
Misstated indirect  
costs**

As noted in Finding 1, the district provided us with revised indirect cost amounts. We reviewed the revised amounts and determined that the district overstated indirect costs by \$448,454 for the audit period.

The district did not provide any worksheets to support the claimed indirect rates. The district stated that its prior mandate consultant, who prepared the indirect cost rates, declined to provide district staff with documentation supporting how the rates were calculated. However, in revising the amounts it believes are reimbursable (see Finding 1), the district used the rates that its prior mandate consultant developed.

We calculated allowable indirect cost rates for the audit period based on the FAM-29C methodology that the parameters and guidelines and the SCO claiming instructions allow. We calculated the allowable indirect cost rates each year by using the information contained in the California Community Colleges Annual Financial and Budget Report Expenditures by Activity (CCFS-311).

The following table summarizes the unallowable indirect costs based on the district's revised amounts it provided during audit fieldwork:

<u>Fiscal Year</u>	<u>Allowable Indirect Cost Rates</u>	<u>District's Revised Indirect Cost Rates</u>	<u>Difference</u>
1998-99	19.87%	41.20%	(21.33)%
1999-2000	17.04%	41.20%	(24.16)%
2000-01	17.30%	43.03%	(25.73)%
2001-02	17.66%	39.17%	(21.51)%
2002-03	28.85%	63.70%	(34.85)%
2003-04	19.12%	53.57%	(34.45)%
2004-05	61.79%	45.81%	15.98%
2005-06	79.70%	39.76%	39.94%

The following table summarizes the unallowable indirect costs based on the district's revised indirect cost amounts:

<u>Fiscal Year</u>	<u>Allowable Costs Claimed</u>	<u>Allowable Indirect Cost Rates</u>	<u>Allowable Indirect Costs</u>	<u>Less Revised Indirect Costs Per the District</u>	<u>Audit Adjustment</u>
1998-99	\$ 37,184	19.87%	\$ 7,388	\$ 156,787	\$ (149,399)
1999-2000	55,672	17.04%	9,487	100,874	(91,387)
2000-01	82,558	17.30%	14,283	59,145	(44,862)
2001-02	90,810	17.66%	16,037	52,454	(36,417)
2002-03	101,219	28.85%	29,202	100,778	(71,576)
2003-04	93,360	19.12%	17,850	86,060	(68,210)
2004-05	104,837	61.79%	64,779	73,436	(8,657)
2005-06	120,317	79.70%	95,893	73,839	22,054
Total	<u>\$ 685,957</u>		<u>\$ 254,919</u>	<u>\$ 703,373</u>	<u>\$ (448,454)</u>

The parameters and guidelines state:

Community colleges have the option of using: (1) a federally approved rate, utilizing the cost accounting principles from the Office of Management and Budget Circular A-21, Cost Principles of Educational Institutions; (2) the rate calculated on State Controller's Form FAM-29C; or (3) a 7% indirect cost rate.

### Recommendation

We recommend that the district claim indirect costs based on an indirect cost rate computed in accordance with the SCO's claiming instructions.

### District's Response

The district did not respond to the finding.

## **FINDING 5— Understated offsetting savings/reimbursements**

As noted in Finding 1, the district provided us with revised offsetting saving/reimbursement amounts during audit fieldwork. We reviewed the revised amounts and determined that the district understated offsetting savings/reimbursements by \$25,196 for the audit period, consisting of \$10,061 in understated enrollment fee collection revenues and \$15,135 in understated enrollment fee waivers revenues. The district did not provide detailed worksheets to support its computation of the claimed offsetting savings/reimbursements.

We calculated allowable offsetting savings/reimbursements for all years under audit using instructions contained in the parameters and guidelines. Our calculations were based on fee collection and Community College BOG fee waiver information provided by the CCCCCO.

The following table summarizes the understated offsetting savings/reimbursements based on the district's revised amounts it provided during the audit fieldwork:

<u>Fiscal Year</u>	<u>Revised Offsetting Savings/ Reimbursement Per the District</u>	<u>Allowable Offsetting Savings/ Reimbursement Per the SCO</u>	<u>Audit Adjustment</u>
1998-99	\$ 7,440	\$ 2,716	\$ 4,724
1999-2000	7,440	18,231	(10,791)
2000-01	8,238	18,751	(10,513)
2001-02	12,356	17,205	(4,849)
2002-03	16,653	21,656	(5,003)
2003-04	30,254	22,488	7,766
2004-05	26,082	32,262	(6,180)
2005-06	28,714	29,064	(350)
Total	<u>\$ 137,177</u>	<u>\$ 162,373</u>	<u>\$ (25,196)</u>

The following table summarizes the understated enrollment fee collection revenues portion of offsetting savings/reimbursements:

<u>Fiscal Year</u>	<u>Revised Enrollment Fee Collection Per the District</u>	<u>Allowable Fee Collection</u>	<u>Audit Adjustment</u>
1998-99	\$ 1,304	\$ 2,716	\$ (1,412)
1999-2000	1,304	2,120	(816)
2000-01	1,589	3,836	(2,247)
2001-02	1,465	3,747	(2,282)
2002-03	1,550	7,606	(6,056)
2003-04	4,469	5,519	(1,050)
2004-05	9,235	7,698	1,537
2005-06	8,778	6,513	2,265
Total	<u>\$ 29,694</u>	<u>\$ 39,755</u>	<u>\$ (10,061)</u>

The following table summarizes the understated enrollment fee waiver revenues portion of offsetting savings/reimbursements:

<u>Fiscal Year</u>	<u>Revised Enrollment Fee Waivers Per the District</u>	<u>Enrollment Fee Waivers</u>	<u>Audit Adjustment</u>
1998-99	\$ 6,136	\$ —	\$ 6,136
1999-2000	6,136	16,111	(9,975)
2000-01	6,649	14,915	(8,266)
2001-02	10,891	13,458	(2,567)
2002-03	15,103	14,050	1,053
2003-04	25,785	16,969	8,816
2004-05	16,847	24,564	(7,717)
2005-06	19,936	22,551	(2,615)
Total	<u>\$ 107,483</u>	<u>\$ 122,618</u>	<u>\$ (15,135)</u>

The parameters and guidelines require claimants to report the following offsetting savings/reimbursements:

- Enrollment Fee Collection Program funds: 2% of the revenue from enrollment fees pursuant to Education Code section 76000, subdivision (c); and
- Enrollment Fee Waiver Program funds: Allocation to community colleges by the Community College Board of Governors from funds in the annual budget act pursuant to Government Code section 76300, subdivisions (g) and (h) as follows:
  - For July 1, 1999, to July 4, 2000, 2% of the fees waived and 7% of the fee waivers.
  - Beginning July 5, 2000, 2% of the fees waived and \$0.91 per credit unit waived.

Furthermore, the parameters and guidelines state:

Any offsetting savings the claimant experiences in the same program as a result of the same statutes or executive orders found to contain the mandate shall be deducted from the costs claimed. In addition, reimbursement for this mandate from any source, including but not limited to, services fees collected, federal funds, and other state funds, shall be identified and deducted from this claim.

Recommendation

We recommend that the district report all enrollment fee collection and waivers offsetting savings/reimbursements on its mandated cost claims. We also recommend that the district maintain detailed worksheets to support its computation for claimed offsetting savings/reimbursements.

District's Response

The district did not respond to the finding.

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